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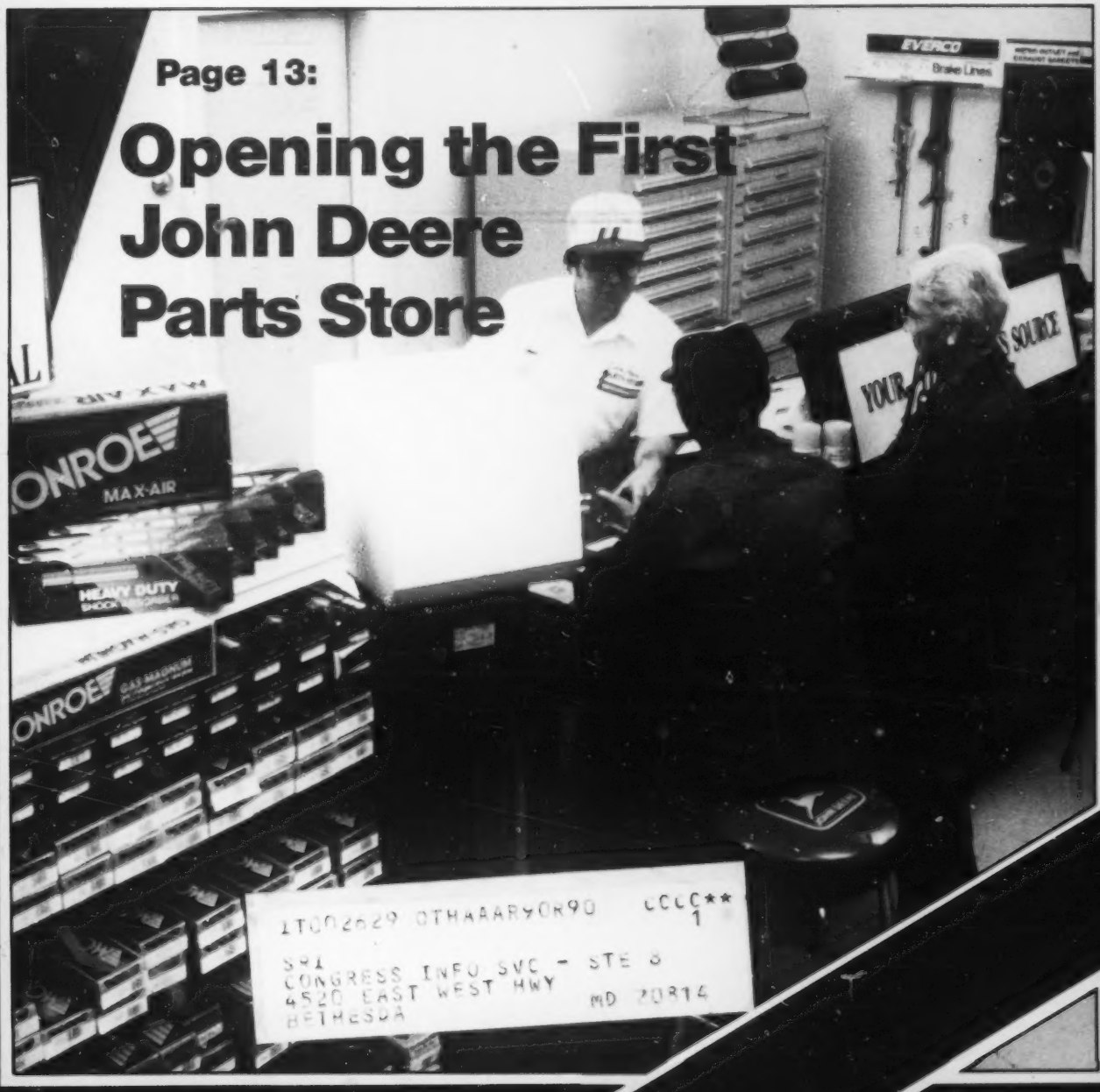
I&T 100 YEARS OF LEADERSHIP

Implement & Tractor

The business magazine of the farm and industrial equipment industry

February 1988

FIEI Forecasts/1988, 1989 page 19



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Opening the First John Deere Parts Store

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IMPLEMENT & TRACTOR
Editorial, advertising and circulation correspondence should be addressed to: P.O. Box 1420, Clarksdale, Mississippi 38614. Telephone: 601/624-8503

EDITORIAL
Bill Fogarty, Editor
4210 Johnson Drive, Suite 100
Fairway, Kansas 66205
Telephone: 913/677-5728

Hembree Brandon, Editorial Director
Edward A. Phillips, Managing Editor

CIRCULATION
Send change of address forms and circulation inquiries to:
Implement & Tractor
P.O. Box 1420
Clarksdale, Mississippi 38614

ADVERTISING
Darrah Parker, Production Manager
P.O. Box 1420
Clarksdale, Mississippi 38614
Telephone: 601/624-8503

Midwestern and Eastern Advertising Representative:
Thompson & Associates, Inc.
222 West Adams, Suite 1485
Chicago, Illinois 60606
Telephone: 312/726-1020

1900 Erie, Suite 203
North Kansas City, Missouri 64116
816/587-7484
Ray Stockwell

Haruki Hirayama
EMS, Inc.
Sagami Building 2-21
Shinjuku 4-chome, Shinjuku-ku
Tokyo 160 Japan
Phone: (03) 350-5666
Cable: EMSINCPERIOO Tokyo
Telex: 2322520 EMSINC J

ADMINISTRATION
Tommy L. Keith, President and Publisher

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I&T 100 YEARS OF LEADERSHIP

Implement & Tractor

The business magazine of the farm and industrial equipment industry.

February 1988 • Vol. 103 • No. 2

On Our Cover

Manager Steve Ellison talks with visitors at the first John Deere Parts Store, opened in November at Hollis, Okla., by Yates Implement Co., Altus, Okla. That's right, those are automotive parts in the foreground.

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Features

9: **There's a major push** in the industry to find out more about the basics of chemical use in agriculture. This report looks at research and other developments.

19: **Optimism about business** in 1988 and 1989 colors the outlook of many manufacturers of field and farmstead equipment. Here's a report on FIEI's group forecast.

22: **Here's a man** who deals strictly in used John Deere tractors. Good reconditioning practices and service followup have kept him operating since 1959.

25: **What are OEM parts executives** smiling about? An FIEI survey of 35 manufacturers of agricultural and industrial equipment indicates improved sales are behind those smiles.

27: **It's been tough** in Europe, too. The market has slowed, mergers have increased, and the dollar is weaker.

29: **Pro Show 87,** an industry-wide show for commercial landscape and turf and grounds maintenance professionals, reported modest attendance, but the market outlook remains bright.

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1987 Retail Sales Results: Mix of Improvements, Declines

The December flash report of the Farm & Industrial Equipment Institute showed strong year-end finishes for some products (tractors over 40 hp, combines, forage harvesters) and pronounced dips for others (under-40-hp tractors from Japan, small balers). For the 12 months, the biggest gainers were forage harvesters and two-wheel-drive tractors over 140 hp.

An article in this issue reporting the forecast of FIEI's Marketing & Management Conference was prepared before the arrival of the December flash report as *I&T* was going to press. Thus, some conflict is noted between these 1987 numbers and those shown in the article, which were estimates in part.

Unit Retail Sales

Equipment	December 1987	December 1986	December % Change	January-December 1987	January-December 1986	January-December % Change
Farm Wheel Tractors:						
2-Wheel Drive						
Under 40 HP	3,241	3,914	(17.2)	59,858	61,648	(2.9)
40 & Under 100 hp	3,097	2,480	24.9	30,761	30,848	(.3)
100 & Under 140 hp	511	348	46.8	5,090	5,149	(1.1)
140 hp & Over	960	425	125.9	10,827	9,113	18.8
Total 2-Wheel Drive	7,809	7,167	9.0	106,536	106,758	(.2)
4-Wheel Drive						
Under 200 hp	111	96	15.6	602	595	1.2
200 hp & Over	146	152	(3.9)	1,051	1,442	(27.1)
Total 4-Wheel Drive	257	248	3.6	1,653	2,037	(18.9)
Total Farm Wheel Tractors	8,066	7,415	8.8	108,189	108,795	(.6)
Combines (Self-Propelled)	806	496	62.5	7,184	7,660	(6.2)
Balers (Bales under 200 lbs)	165	217	(24.0)	5,330	5,734	(7.0)
Forage Harvesters (Shear Bar Type)	212	126	68.3	2,392	2,164	10.5
Mower Conditioners	434	428	1.4	11,244	10,898	3.2

Deere's '87: Sales Up, Losses Down

Deere & Co. had sales of $4.1 billion in fiscal 1987, ended Oct. 31, up 18 percent from the $3.5 billion of 1986. Production was up 12 percent. For the fourth period, sales were $1.3 billion, up 61 percent from the strike-affected level of 1986, $818 million.

For 1987, Deere had a net loss of $99 million, compared with $229 million in 1986. In the fourth quarter, net income was $32 million, compared with a net loss of $140 million in 1986's fourth period.

Deere said that fourth quarter income was affected by $40 million in benefits mainly from tax losses carried forward.

Net income of Deere's retail finance and leasing subsidiaries declined to $52 million from $54 million. Insurance net income was $38 million, up from the $37 million of 1986.

Worldwide farm equipment sales were up 22 percent to $3.2 billion, compared with $2.6 billion in 1986. Industrial equipment volume was $911 million, up 5 percent.

Dealer receivables were $2.11 billion as of Oct. 31, 1987. A year earlier, they were $2.08 billion. North American farm equipment receivables were lowered by $355 million in 1987, Deere said, but industrial, consumer product and overseas receivables were increased.

Canada Winds Up a Tough Year

Sales were down in most product categories in 1987, according to the December flash report of the Canadian Farm & Industrial Equipment Institute. The only gainers were tractors under 40 hp — 4,708 units, up 9.3 percent — and large balers — 3,310, up 4.6 percent.

Sales of four-wheel-drive tractors fell 39 percent to 984 units. Tractors from 40-99 hp were down 3.6 percent at 9,043; tractors 100 hp and over were off 11.4 percent at 3,058. Total tractor volume of 17,793 units was off 5 percent.

Major Canadian declines for 1987: self-propelled combines, off 46 percent at 1,517; pull-type combines, off 66 percent at 350 units, self-propelled swathers, off 50 percent at 767 units.

Product Liability Seminar by FEMA

The Farm Equipment Manufacturers Assn. will hold a two-day seminar on product liability March 3-4 at the Hyatt Regency O'Hare Hotel, Chicago, addressed to member firms' senior management, design engineers and corporate or retained legal counsel.

The seminar will be chaired by Kenneth Ross, attorney specializing in advising manufacturers on minimizing risk of product liability and contractual liability, and maximizing safety.

Other participants will include Keith L. Pfundstein, KPS Technology, a product safety consulting firm, and Russell Hahn, American Society of Agricultural Engineers. Pfundstein is Deere & Co.'s retired manager of product safety.

FEMA is based at 243 N. Lindbergh Blvd., St. Louis, Mo. 63141, telephone 314/991-0702.

Varity 9-Month Sales Hit $1.38 Billion

Varity Corp. has reported that sales for the first nine months of the 1987 fiscal year, ended Oct. 31, were $1.38 billion after third quarter sales of $465 million were posted. In 1986, volume was $966 million for the nine months and $256 million for the quarter.

For the nine months, the company had a loss figure of $11.9 million after posting a profit of $5.7 million in the third quarter. In 1986, losses were $4.7 million for the nine months and a loss of $19.7 million in the third period.

Part of the sales increase was due to the acquisition of Dayton Walther Corp., maker of automotive components.

Farm equipment sales volume was $786 million for the nine months and $257 million for the quarter, both up from the $682 million and $165 million levels of 1986. Engine sales volume was $331 million for the year and $117 million for the third period, compared with $266 million and $84 million a year earlier.

Marketers Like Outlook for '88, '89

By Bill Fogarty

MANUFACTURERS of both field and farmstead equipment are looking on 1988 and 1989 with something you might call optimism. The industry's group forecast, conducted by the Farm & Industrial Equipment Institute, is for an increase of 5 percent in U.S. retail dollar volume.

By way of comparison, last year the manufacturers of field equipment predicted that 1987 would generate a median increase of 2.8 percent; the farmstead equipment marketers were looking for a flat 1987, about even with 1986.

One new feature of the forecast for 1988: The FIEI asked both the field equipment (Farm Equipment Division) and farmstead (Agri-Equipment Division) marketers to estimate what the 1988 total industry dollar volume would be on wholesale service parts compared to 1987. Both groups brought in a median verdict of up 5 percent.

How did the forecast at the start of 1987 compare with what actually happened? There are no public retail sales reports on farmstead equipment groups, but most of the field equipment is reported in numbers, so it's possible to compare predictions and results.

Tractors: The marketers were looking for a lift in tractor sales in most horsepower categories last year, but only in the sharply discounted range of over-100-hp did they get it. Sales of under-40-hp units were off slightly at 60,333 rather than up to 62,713, as predicted. Total units sold in 1987 came to 106,433; total predicted, 110,568.

Combines: Sales of self-propelled combines in 1987 were 6,700, a little over the cautious forecast of 6,411 units.

Balers: Square baler sales of 5,400 fell under the predicted 5,750 for 1987, but big-baler sales came in at around 10,000, better than the expected 9,350 units.

(More, next page)

U.S. Retail Sales Forecast, 1988-1989 (In units)

Product	(Actual + Est. Dec. Sales) 1987	Sales Forecast for 1988	1989
Tractors			
Under 40 hp	60,333	60,000	60,000
40-99 hp	30,000	31,210	32,750
100 hp and over	14,500	14,500	15,300
4-wheel drive	1,600	1,500	1,900
Total Farm Tractors	106,433	107,210	109,950
S-P combines	6,700	6,890	7,200
Corn heads	3,800	4,100	4,250
Forage harveters[1]	2,300	2,400	2,450
Balers, square[2]	5,400	5,500	5,550
Balers, round[3]	10,000[E]	10,350	10,350
Windrowers	1,600	1,500	1,600
Mower-conditioners	11,193	11,488	11,483
Grinder-mixers	2,175	2,050	2,000

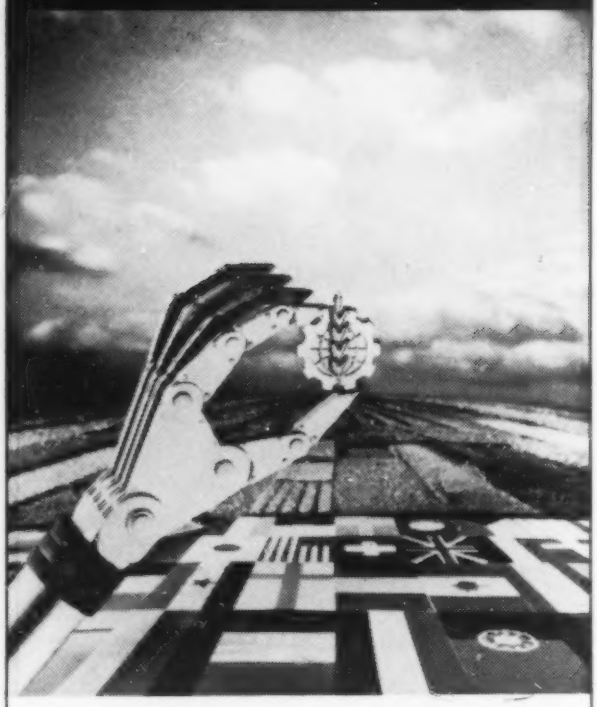
E: Estimated by *I&T* (1) Shear-bar type. (2) Bales under 200 lbs. (3) Bales over 200 lbs.
Source: Farm & Industrial Equipment Institute

Other Product Retail Sales Forecasts, 1988-1989

Product	Percent of Change 1988 from 1987	1989 from 1988
Augers, elevators	0	-2.5
Crop dryers, in-bin	-12.5	0
Crop dryers, batch and continuous flow	+2.5	0
Dairy and beef equipment	+5	+2.5
Hog equipment	+4.3	0
Grain bins	-22.5	0
Milking Machines	-1.5	0
Manure spreaders	+4.6	+3
Disk harrows	+5	+3
Field cultivators	+5	+3
Chisel plows	+6.2	+4.1

Source: Farm & Industrial Equipment Institute

PROGRESS ON THE MARCH AGAIN



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Forecast *(from page 19)*

Mower-Conditioners: The 1987 forecast was for 11,325 units; actual sales were 11,193, close.

Of the 28 marketers of field equipment, only six predicted no change and one saw a decline. The other 23 expected improvements of 2.5 to 10 percent. Their reasons for optimism tended to focus on better farm income, government programs and the current age of equipment on farms.

Among 24 participants in the farmstead equipment forecasting, 13 saw improvement, four no change and seven a decline.

Some of the brightest outlooks are reserved for 1989. For example, the six marketers of combines see sales in 1989 coming in at a median 7,200 units. The actual range of estimates among the six is for sales of from 7,000 to 10,000. Round balers are expected to top 10,000 units in both 1988 and 1989.

Despite citing the current age of equipment presently at work on farms as a reason for more unit sales in 1988, the forecasters, in their individual comments, offer the needs of older units in the field as a reason for an increased parts sales forecast. Other reasons cited include better pricing practices, better farm economy, better sales efforts in the parts aftermarket, and taking business away from "parts houses." More than one cited inflation as a reason.

The forecast was made public at the FIEI's Winter Marketing & Management Conference Feb. 4-6 at Tucson, Ariz. □

IMPLEMENT & TRACTOR Editorial Calendar and Advertising Planning Guide

Issue Ad Closing	Editorial Emphasis
March issue (February 10, 1988)	•Lawn/Garden/Outdoor Power Equipment
Red Book (February 28, 1988)	•Farm and Industrial Equipment Specifications Encyclopedia
April issue (March 10, 1988)	•Service/Shop Management, Part 1
May issue (April 10, 1988)	•Forage/Hay/Grain Handling Equipment
June issue (May 10, 1988)	•Wood Handling Equipment •International Lawn, Garden, & Power Equipment Expo (Louisville) Preview
July issue (June 10, 1988)	•Harvesting Equipment
August issue (July 10, 1988)	•All Terrain Vehicles
September issue (August 10, 1988)	•Service/Shop Management, Part 2
October issue (September 10, 1988)	•I&T's Annual Statistics Issue
Product File (September 30, 1988)	•Master product directory, mailing addresses, brand names, other information useful to industry professionals
November/December issue (October 10, 1988)	•Review/Outlook Issue
January issue (December 10, 1988)	•Planting/Tillage Equipment
February issue (January 10, 1989)	•Spraying/Application Equipment